

CITY OF AURORA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

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City of Aurora

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Roepke	Mayor	Dec 2007
David Young	Mayor Pro tem	Dec 2007
Jodeen Gage	Council Member	Dec 2007
David Schweitzer	Council Member	Dec 2007
Richard Rau	Council Member	Dec 2007
Brett Lau	Council Member	Dec 2007
Diana Gates	City Clerk	Indefinite
Marjorie Young	City Treasurer	Indefinite
Dennis Wilson	Attorney	Indefinite

City of Aurora

James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.

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Oelwein, IA 50662
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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Aurora, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Aurora's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Aurora as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2007 on our consideration of the City of Aurora's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on page 7 and budgetary comparison information on pages 18 through 19 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management

regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Aurora's basic financial statements. Other supplementary information included in Schedules 1 through 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

December 14, 2007

City of Aurora
P.O. Box 117
Aurora, Iowa 50607

Richard Roepke, Mayor
David Young, Mayor Pro Tem
Jodeen Gage, Council Member
David Schweitzer, Council Member
Richard Rau, Council Member
Bret Lau, Council Member

Diana Gates, City Clerk
Marjorie Young, City Treasurer
Charles Kivell, Fire Chief
Elaine Rosburg, Library Director
Seth Gage, Recreation Director
Dennis Wilson, City Attorney

Management's Discussion and Analysis

The City of Aurora provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 Financial Highlights

- The City's revenues for fiscal year 2007 were \$781,130.00 compared to \$271,505.00 fiscal year 2006.
- The City's disbursements for fiscal year 2007 were \$821,951.00 compared to \$528,034.00 for 2006
- The City's Special Revenues / Road Use Tax Dollars for fiscal year 2007 were \$10,133.00 compared to \$10,175.00 for 2006.
- The Special Revenue Fund disbursements for fiscal year 2007 were \$13,886.00 compared to \$9,316.00 for 2006
- The City's Proprietary Fund revenue for fiscal year 2007 were \$17,380.00 compared to \$17,332.00 for 2006.
- The Proprietary Fund Disbursements for fiscal year 2007 were \$19,345.00 compared to \$7,581.00 for 2006
- The City's end balances for fiscal 2007 were \$101,472.00 compared to \$110,293.00 for 2006
- The City's Special Revenue Fund ending balance for fiscal year 2007 were \$15,972.00 compared to \$19,725.00 for 2006
- The City's Proprietary Fund ending balance for fiscal year 2007 were \$6,782.00 compared to \$15,747.00 for 2006

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how the governmental services were financed in the fiscal year and as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the governmental-wide statement by providing information about the most significant funds.

Notes on financial statements provide additional information essential to a full understanding of the data presented in the basic financial statements.

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are presented on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole, better off or worse off, as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system referred to as "Proprietary ", this activity is financed primarily by user charges.

The City has two kinds of funds:

(1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include; General Fund with Special Revenue, Fire Department Fund, Public Library Fund, Recreation (Comet Center) Fund. The governmental fund financial statements provide a detailed, short term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

(2) Proprietary fund account for the City's Sewer Fund, this fund is used to report business type activities.

The required financial statement for the proprietary fund includes a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from 2006, from \$130,018.00 to for 2007 \$117,444.00, this analysis focuses on the change in cash balances for "governmental activities".

The total cost of governmental programs increased from 2006 which was \$537,350.00 compared to \$835,837.00 in fiscal year 2007 with no new programs added.

Although the City did not request an increase general fund property tax rates for 2007. Property tax receipts did increase by \$3240.00 over last year's property tax receipts.

In addition, there was a \$7000.00 loan from the proprietary fund into the general fund, and the Library fund used \$6403.00 from Library Fund reserves in 2007. The Comet Center used \$3998.00 plus a \$25,000.00 bank loan, donation proceeds of \$28,141.00

Total business type activities receipts for the fiscal year \$17380.00 compared to \$17332.00 last year, the ending cash balance for this fiscal year were \$6782.00 compared to \$15747.00 last year.

Individual Major Governmental Fund Analysis

As the City of Aurora completed the year, its governmental funds reported a combined fund balance of \$117,444.00 a decrease of \$12,574.00 from last year balance of \$130,018.00 and reported proprietary fund balance of \$6782.00 a decrease of \$8965.00 from last year's balance of \$15,747.00

The following are major reasons for the changes in fund balances of funds from prior year.

The City made improvements to the City park buildings and play ground equipment, the public library purchased new shelving and other facility equipment , the Comet Center paid the balance of construction cost and repaid major portion of its bank loan and interest also purchased new sports equipment for the facility.

- The city received Community Development Block Grant funds for the Aurora Rural Water Project in the amount of \$503842.00 and disbursements totaling \$505,199.00 for water project during fiscal year 2007.
- The City began a road improvement project on Luella Street, this project will be completed in 2008 project was delayed due to weather conditions.
- As in fiscal year 2006 the City of Aurora had no debt service obligation in 2007
- The Proprietary fund cash balance decreased due to upgrading the two pump motors, and from loan of funds to general account.

Budgetary Highlights

Over the course of the year the City amended its budget once. The net result of this amendment was to increase revenues from \$104,888.00 to \$812,328.00, the increase was to allow for receipts of Community Development Block Grant and other state and federal grant funds and use of other sources from prior year's fund balances and to disburse those same funds where needed by respective departments.

Actual program expenditures were \$855,180.00 which exceeded the budget amendment which was \$848,763.00 budget amendment was (\$6417.00). With this in mind the City will monitor the revenues and expenditures in a new manner to be able to more quickly detect the need for future possible amendments of its budgets.

The City of Aurora recently has no debt obligation.

Economic Factors and next Year Budget and Rates

The City of Aurora's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates and fees that will be charged for various City activities.

City expenditures are expected to decrease as major projects have been completed those projects being the Rural Water System. The public library has completed its purchases of new equipment, Comet Center has completed its equipment & furnishing purchases, no major updates are expected in Proprietary department for 2008.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Diana Gates, City Clerk, her office located at 410 Warren Street Aurora, Iowa, Or contact Richard Roepke, Mayor at his office at 403 Main Street, Aurora Iowa

CITY OF AURORA, IOWA

Changes in Cash Basis for Special Revenue - Road Use Tax

	Year Ended June 30th	
<u>Receipts:</u>	<u>FY 2007</u>	<u>FY 2006</u>
Special Revenue- Road Use Taxes	\$10,133.00	\$10,175.00
Total receipts	\$10,133.00	\$10,175.00
 <u>Disbursements:</u>		
Operating disbursements	\$13,886.00	\$9,316.00
Total disbursements	\$13,886.00	\$9,316.00
Excess (deficiency) of receipts over (under) disbursements	(\$3,753.00)	\$859.00
 Net Change in cash balances	(\$3,753.00)	\$859.00
 Cash balances beginning of year	\$19,725.00	\$18,866.00
Cash balances end of year	\$15,972.00	\$19,725.00
 Cash Basis Fund Balances	\$15,972.00	\$19,725.00
Total cash basis fund balances	\$15,972.00	\$19,725.00

Total Special Revenue for the year 2007 were \$10133.00 compared to \$10175.00 for year 2006

Total Special Revenue expenditures for 2007 were \$13886.00 compared to \$9316.00 for year 2006

The City of Aurora seen the increase in expenditures , due to roadway inprovement project on Luella Street
this project will be completed in the summer of 2008.

CITY OF AURORA, IOWA

Changes In Cash Basis Net Assests of Business Type Activities

	Year Ended June 30th	
<u>Receipts</u>	<u>FY 2007</u>	<u>FY 2006</u>
Operating receipts:		
Proprietary: Sewer	\$17,380.00	\$17,332.00
Total operating receipts	\$17,380.00	\$17,332.00
 <u>Disbursements</u>		
Operating disbursements:	\$19,345.00	\$7,581.00
Total operating disbursement	\$19,345.00	\$7,581.00
 Excess (deficiency) of receipts over (under) disbursements	(\$1,965.00)	\$9,751.00
 Non-Operating receipts(disbursements)		
Operating transfer in	\$0.00	\$0.00
Operating transfer out	\$0.00	(\$3,000.00)
Loan to General Fund	(\$7,000.00)	\$0.00
Total financing sources(uses)	(\$7,000.00)	(\$3,000.00)
 Net change in cash balances	(\$8,965.00)	\$6,751.00
 Cash balances beginning of year:	\$15,747.00	\$8,996.00
Cash Balances end of year	\$6,782.00	\$15,747.00
 Cash Basis Fund Balances		
 Unreserved	\$6,782.00	\$15,747.00
 Total cash basis fund balance	\$6,782.00	\$15,747.00

Total business type activity receipts for the fiscal year were \$17380.00 compared to \$17332.00 last year.

Total business type disbursement activity for the fiscal year were \$19345.00 compared to \$7581.00 compared to last year. The general fund received a loan of \$7000.00 from the proprietary account in fiscal year 2007 , compared to last year were the proprietary account re-paid a \$3000.00 loan to the general fund account in 2006.

FY Ended June 30, 2007	General	Fire Dept.	Library	Comet Center	Special Rev.	Totals
Receipts						
Property Taxes	\$27,763.00					\$27,763.00
Special Assesments	\$1,130.00					\$1,130.00
Other City Taxes UT & LOT	\$16,614.00					\$16,614.00
Licenses & permits	\$765.00					\$765.00
Use of Money (Interest)	\$1,834.00	\$1,687.00	\$203.00	\$542.00		\$4,266.00
Intergovernmental	\$503,842.00	\$10,699.00	\$1,000.00	\$128,613.00	\$10,133.00	\$654,287.00
Charges for Services	\$531.00			\$10,596.00		\$11,127.00
Miscellaneous	<u>\$15,215.00</u>	<u>\$3,110.00</u>	<u>\$8,506.00</u>	<u>\$48,480.00</u>		<u>\$75,311.00</u>
Totals	\$567,694.00	\$15,496.00	\$9,709.00	\$188,231.00	\$10,133.00	\$791,263.00
Disbursements:						
Operating						
Public Safety	\$4,552.00	\$8,866.00				\$13,418.00
Public Works	\$9,078.00				\$13,886.00	\$22,964.00
Health & Social Services	\$217.00					\$217.00
Culture & Recreation	\$9,251.00		\$20,612.00	\$245,370.00		\$275,233.00
Community Economic Development	\$505,199.00					\$505,199.00
Genral Government	\$18,806.00					\$18,806.00
Debt Service	\$0.00					\$0.00
Capital Projects	<u>\$0.00</u>					<u>\$0.00</u>
Total Disbursements	\$547,103.00	\$8,866.00	\$20,612.00	\$245,370.00	\$13,886.00	\$835,837.00
Excess of receipts over disbursements	<u>\$20,591.00</u>	<u>\$6,630.00</u>	<u>(\$10,903.00)</u>	<u>(\$57,139.00)</u>	<u>(\$3,753.00)</u>	<u>(\$44,574.00)</u>
Other financing sources (uses):						
Loan from Sewer Fund	\$7,000.00					\$7,000.00
Bank Loan				\$25,000.00		\$25,000.00
Operating transfers in		\$8,780.00	\$4,500.00	\$28,141.00		\$41,421.00
Operating transfers out	<u>(\$41,421.00)</u>					<u>(\$41,421.00)</u>
Total other finance sources (uses):	<u>(\$34,421.00)</u>	<u>\$8,780.00</u>	<u>\$4,500.00</u>	<u>\$53,141.00</u>	<u>\$0.00</u>	<u>\$32,000.00</u>
Net Change in Cash Balances	(\$13,830.00)	\$15,410.00	(\$6,403.00)	(\$3,998.00)	(\$3,753.00)	(\$12,574.00)
Cash balances beginning of year	<u>\$3,049.00</u>	<u>\$79,646.00</u>	<u>\$14,253.00</u>	<u>\$13,345.00</u>	<u>\$19,725.00</u>	<u>\$130,018.00</u>
Cash balances end of year	<u>(\$10,781.00)</u>	<u>\$95,056.00</u>	<u>\$7,850.00</u>	<u>\$9,347.00</u>	<u>\$15,972.00</u>	<u>\$117,444.00</u>

FY Ended June 30, 2006	General	Fire	Library	Comet Center	Special Rev.	Totals
<u>Receipts</u>						
Property Taxes	\$24,523.00					\$24,523.00
Special Assessments	\$2,818.00					\$2,818.00
Other City Taxes UT & LOT	\$12,102.00					\$12,102.00
Licenses & Permits	\$615.00					\$615.00
Use of Money (Interest)	\$1,577.00	\$1,159.00	\$405.00	\$3,751.00		\$6,892.00
Intergovernmental	\$108,715.00	\$10,526.00	\$4,780.00	\$42,607.00	\$10,175.00	\$176,803.00
Charges for Services	\$266.00			\$2,480.00		\$2,746.00
Miscellaneous	<u>\$3,745.00</u>	<u>\$1,833.00</u>	<u>\$671.00</u>	<u>\$48,932.00</u>		<u>\$55,181.00</u>
Totals	\$154,361.00	\$13,518.00	\$5,856.00	\$97,770.00	\$10,175.00	\$281,680.00
Disbursements:						
Operating						
Public Safety	\$4,346.00	\$9,076.00				\$13,422.00
Public Works	\$12,428.00				\$9,316.00	\$21,744.00
Health & Social Services	\$434.00					\$434.00
Culture & Recreation	\$4,229.00		\$9,655.00	\$361,393.00		\$375,277.00
Community Economic Development	\$110,232.00					\$110,232.00
General Government	\$16,241.00					\$16,241.00
Debt Service	\$0.00					\$0.00
Capital Projects	\$0.00					<u>\$0.00</u>
Total Disbursements	\$147,910.00	\$9,076.00	\$9,655.00	\$361,393.00	\$9,316.00	\$537,350.00
Excess of receipts over disbursements	\$6,451.00	\$4,442.00	(\$3,799.00)	(\$263,623.00)	\$859.00	(\$255,670.00)
Other financing sources (uses):						
Reimbursement from Sewer	\$3,000.00					\$3,000.00
Bank Loan				\$75,000.00		\$75,000.00
Operating transfer in		\$7,639.00	\$4,500.00			\$12,139.00
Operating transfer out	<u>(\$12,139.00)</u>					<u>(\$12,139.00)</u>
Total other finance sources(uses):	(\$2,688.00)	\$7,639.00	\$4,500.00	(\$188,623.00)	\$0.00	(\$177,670.00)
Net change in cash balance	(\$2,688.00)	\$12,081.00	\$701.00	(\$188,623.00)	\$859.00	(\$177,670.00)
Cash balances beginning of year	\$5,737.00	\$67,565.00	\$13,573.00	\$201,968.00	\$18,867.00	\$307,710.00
Cash balances end of year	\$3,049.00	\$79,646.00	\$14,253.00	\$13,345.00	\$19,725.00	\$130,018.00

City of Aurora
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2007

Functions / Programs:	Disbursements	Charges for Service	Program Receipts
			Oper. Grants, Contributions, and Restricted Interest
Governmental activities:			
Public safety	\$ 13,418	11,995	705
Public works	22,964	-	10,511
Health and social services	217	-	-
Culture and recreation	275,233	17,975	-
Community and economic development	505,199	-	-
General government	18,806	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total governmental activities	835,837	29,970	11,216
Business type activities:			
Sewer	19,345	17,380	-
Total business type activities	19,345	17,380	-
Total	\$ 855,182	47,350	11,216

General Receipts:

Property tax levied for:
 General purposes
 Utility tax
Local option sales tax
Unrestricted interest
Rents
Miscellaneous
Bank loan
Loan to general

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year,

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Special Revenue-Road Use Tax

Unrestricted

Total cash basis net assets

See notes to financial statements

Capital Grants, Contributions and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
-	(718)	-	(718)
-	(12,453)	-	(12,453)
-	(217)	-	(217)
169,713	(87,545)	-	(87,545)
505,275	76	-	76
-	(18,806)	-	(18,806)
-	-	-	-
-	-	-	-
674,988	(119,663)	-	(119,663)
-	-	(1,965)	(1,965)
-	-	(1,965)	(1,965)
674,988	(119,663)	(1,965)	(121,628)
	28,893	-	28,893
	1,400	-	1,400
	17,214	-	17,214
	6,029	-	6,029
	600	-	600
	20,953	-	20,953
	25,000	-	25,000
	7,000	(7,000)	-
	107,089	(7,000)	100,089
	(12,574)	(8,965)	(21,539)
	130,018	15,747	145,765
	\$ 117,444	6,782	124,226
	15,972	-	15,972
	101,472	6,782	108,254
	\$ 117,444	6,782	124,226

City of Aurora
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2007

	General	Non-Major Special Revenue- Road Use Tax	Total
Receipts:			
Property tax	\$ 28,893	-	28,893
Other city tax	16,614	-	16,614
Licenses and permits	765	-	765
Use of money and property	4,866	-	4,866
Intergovernmental	644,154	10,133	654,287
Charges for service	11,127	-	11,127
Miscellaneous	74,711	-	74,711
Total receipts	<u>781,130</u>	<u>10,133</u>	<u>791,263</u>
Disbursements:			
Operating:			
Public safety	13,418	-	13,418
Public works	9,078	13,886	22,964
Health & social services	217	-	217
Culture and recreation	275,233	-	275,233
Community & economic development	505,199	-	505,199
General government	18,806	-	18,806
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>821,951</u>	<u>13,886</u>	<u>835,837</u>
Excess of receipts over disbursements	<u>(40,821)</u>	<u>(3,753)</u>	<u>(44,574)</u>
Other financing sources (uses):			
Bank loan	25,000	-	25,000
Loan from Sewer Fund	7,000	-	7,000
Total other financing sources (uses)	<u>32,000</u>	<u>-</u>	<u>32,000</u>
Net change in cash balances	(8,821)	(3,753)	(12,574)
Cash balances beginning of year	<u>110,293</u>	<u>19,725</u>	<u>130,018</u>
Cash balances end of year	<u>\$ 101,472</u>	<u>15,972</u>	<u>117,444</u>
Cash Basis Fund Balances			
Unreserved:			
General:			
General fund	\$ (10,781)	-	(10,781)
Fire Debt	95,056	-	95,056
Library	7,850	-	7,850
Comet Center	9,347	-	9,347
Special Revenue:			
Road Use Tax	-	15,972	15,972
	<u>\$ 101,472</u>	<u>15,972</u>	<u>117,444</u>

See notes to financial statements

City of Aurora

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2007

Total governmental funds cash balances	\$ 117,444
---	-------------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Cash basis net assets of governmental activities	<u>\$ 117,444</u>
---	--------------------------

Net change in cash balances	\$ (12,574)
------------------------------------	--------------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Change in cash balance of governmental activities	<u>\$ (12,574)</u>
--	---------------------------

See notes to financial statements

City of Aurora

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2007

	<u>Sewer</u>	<u>Total</u>
Operating receipts:		
Charges for service	\$ 16,696	16,696
Total operating receipts	<u>16,696</u>	<u>16,696</u>
Operating disbursements:		
Business type activities	<u>19,345</u>	<u>19,345</u>
Total operating discbursements	<u>19,345</u>	<u>19,345</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,649)</u>	<u>(2,649)</u>
Non-operating receipts (disbursements):		
Interest income	684	684
Operating transfers in	-	-
Operating transfers out	-	-
Loan to General Fund	<u>(7,000)</u>	<u>(7,000)</u>
Total financing sources(uses)	<u>(6,316)</u>	<u>(6,316)</u>
Net change in cash balances	(8,965)	(8,965)
Cash balances beginning of year	<u>15,747</u>	<u>15,747</u>
Cash balances end of year	<u>\$ 6,782</u>	<u>6,782</u>
Cash Basis Fund Balances		
Unreserved	<u>\$ 6,782</u>	<u>6,782</u>
Total cash basis fund balances	<u>\$ 6,782</u>	<u>6,782</u>

See notes to financial statements

City of Aurora
 Reconciliation of the Statement of Cash
 Receipts, Disbursements and Changes in Cash Balances
 to the Statement of Activities and Net Assets -
 Proprietary Funds
 As of and for the year ended June 30, 2007

Total enterprise funds cash balances	\$ 6,782
---	----------

The city does not have an internal service fund.
 Therefore there are no reconciling items.

-

Cash basis net assets of business type activities	<u>\$ 6,782</u>
--	-----------------

Net change in cash balances	\$ (8,965)
------------------------------------	------------

The city does not have an internal service fund.
 Therefore there are no reconciling items.

-

Change in cash balance of business type activities	<u>\$ (8,965)</u>
---	-------------------

See notes to financial statements

City of Aurora

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Aurora is a political subdivision of the State of Iowa located in Buchanan County. It operates under the Home Rule provisions of the Constitution of Iowa and operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides sewer for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Aurora has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The City is represented on the Buchanan County Economic Development Commission, Buchanan County Landfill Commission and the Buchanan County Emergency Management Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Aurora maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and/or general receipts. Thus, when program disbursements are paid, there may be both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement

grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has not adopted the above investment policy authorized by statute.

As of June 30, 2007, the City had a certificate of deposit at Regions Bank. The carrying value is \$48,005 and the fair market value is \$48,005. Maturity of the certificate of deposit was December 7, 2007.

(3) Notes Payable

The City has a note payable to Citizens State Bank of Winthrop, Iowa with an outstanding balance of \$16,160. Original date of note was January 17, 2006. Original amount of note was \$100,000. Interest is variable. Interest rate at June 30, 2007 was 6.25%. Balance beginning of year \$75,000, issued during year was \$25,000, redeemed during the year \$83,840, leaving a balance at June 30, 2007 of \$16,160.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2007 was \$1,376.

(5) Interfund Transfers

There were no interfund transfers for the year ended June 30, 2007.

Within the General Fund, the City separately tracks receipts, disbursements and cash balances for general, fire department, library and the Comet Center. Transfers were made between these accounts during the year. See Schedule 1.

(6) Related Party Transactions

The City had business transactions between the City and City employees totaling \$4,395 during the year ended June 30, 2007.

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations.

(8) Rural Water

The City of Aurora received a CDBG grant for \$740,000 to assist in the Aurora/Buchanan County Project. The project included a transmission line to Aurora, water main installation throughout the City of Aurora, installation of 60 miles of distribution main in the rural Buchanan County area designated as part of the project and a 150,000 gallon water tower within the city limits of Aurora. The purpose of the project is to supply water to the City of Aurora and 580 rural residents.

Total cost of the project is \$3,347,000 of which the total CDBG amount is \$740,000. The City paid the CDBG funds to Central Iowa Water Association (CIWA) which is doing the project. The project is partially complete, meaning that some customers are now receiving water, but CIWA anticipates all customers should be on line in the spring of 2008.

During the year ended June 30, 2007 the City of Aurora received \$505,275 in CDBG funds. These funds were accounted for in the General Fund-General.

(9) Comet Center

The Comet Center opened in August 2006. The Comet Center is a wellness center for the residents of Aurora and the surrounding area. The library moved from the fire station to the Comet Center at that time also.

During the year ended June 30, 2007 received the following grants: \$25,000 from the United States Department of Agriculture, CAT grant from the State of Iowa for \$42,392, Harkin Wellness grant for \$61,220 and \$9,300 from the Buchanan County Health Trust. These grants and associated disbursements were accounted for under the General Fund-Comet Center.

Health Trust. These grants and associated disbursements were accounted for under the General Fund-Comet Center.

(10) Subsequent Events

No significant subsequent events were noted.

(11) Litigation

There is no pending litigation pending involving the City of Aurora.

City of Aurora

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 28,893	-	-
Tax increment financing collections	-	-	-
Other city tax	16,614	-	-
Licenses and permits	765	-	-
Use of money and property	4,593	684	-
Intergovernmental	654,287	-	-
Charges for service	11,127	16,696	-
Special assessments	-	-	-
Miscellaneous	74,984	-	-
Total receipts	791,263	17,380	-
Disbursements:			
Public safety	13,418	-	-
Public works	22,964	-	-
Health and social services	217	-	-
Culture and recreation	275,233	-	-
Community and economic development	505,199	-	-
General government	18,806	-	-
Debt service	-	-	-
Capital projects	-	-	-
Business type activities	-	19,345	-
Total disbursements	835,837	19,345	-
Excess of receipts over disbursement:	(44,574)	(1,965)	-
Other financing sources, net	32,000	(7,000)	-
Excess of receipts and other financing sources over disbursements and other financing uses	(12,574)	(8,965)	-
Balances beginning of year	130,018	15,747	-
Balances end of year	\$ 117,444	6,782	-

See accompanying independent auditor's report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
28,893	28,633	28,633	260
-	-	-	-
16,614	13,440	13,440	3,174
765	225	225	540
5,277	2,300	2,300	2,977
654,287	22,890	600,910	53,377
27,823	17,400	17,400	10,423
-	-	1,200	(1,200)
74,984	20,000	148,220	(73,236)
808,643	104,888	812,328	(3,685)
13,418	20,806	20,806	7,388
22,964	17,000	18,165	(4,799)
217	917	917	700
275,233	50,500	275,095	(138)
505,199	15,200	489,320	(15,879)
18,806	16,900	16,900	(1,906)
-	-	-	-
-	-	-	-
19,345	20,000	27,560	8,215
855,182	141,323	848,763	(6,419)
(46,539)	(36,435)	(36,435)	(10,104)
25,000	-	-	25,000
(21,539)	(36,435)	(36,435)	14,896
145,765	169,586	169,586	(23,821)
124,226	133,151	133,151	(8,925)

City of Aurora

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was amended and increased budgeted receipts by \$707,440 and increased budgeted disbursements by \$707,440.

Other Supplementary Information

City of Aurora
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds-General
As of and for the year ended June 30, 2007

	General				
	General	Fire Dept	Library	Comet Ctr.	Totals
Receipts:					
Property tax	\$ 28,893	-	-	-	28,893
Other city tax	16,614	-	-	-	16,614
Licenses and permits	765	-	-	-	765
Use of money and property	600	-	-	542	1,142
Intergovernmental	503,842	10,699	1,000	128,613	644,154
Charges for service	531	-	-	10,596	11,127
Miscellaneous	16,449	4,797	8,709	48,480	78,435
Total receipts	567,694	15,496	9,709	188,231	781,130
Disbursements:					
Operating:					
Public safety	4,552	8,866	-	-	13,418
Public works	9,078	-	-	-	9,078
Health & Social Services	217	-	-	-	217
Culture and recreation	9,251	-	20,612	245,370	275,233
Community & Economic Development	505,199	-	-	-	505,199
General government	18,806	-	-	-	18,806
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	547,103	8,866	20,612	245,370	821,951
Excess of receipts over disbursements	20,591	6,630	(10,903)	(57,139)	(40,821)
Other financing sources (uses):					
Loan from Sewer Fund	7,000	-	-	-	7,000
Bank loan	-	-	-	25,000	25,000
Operating transfers in	-	8,780	4,500	28,141	41,421
Operating transfers out	(41,421)	-	-	-	(41,421)
Total other financing sources (uses)	(34,421)	8,780	4,500	53,141	32,000
Net change in cash balances	(13,830)	15,410	(6,403)	(3,998)	(8,821)
Cash balances beginning of year	3,049	79,646	14,253	13,345	110,293
Cash balances end of year	\$ (10,781)	95,056	7,850	9,347	101,472

See notes to financial statements

Schedule 2

City of Aurora
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Grantor/Program	<u>CFDA Number</u>	<u>Agency Pass- through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Agriculture Community Facilities Loans and Grants	10.766		\$ 25,000
Indirect:			
U. S. Department of Housing & Urban Development: Thru Iowa Department of Economic Development Community Development Block Grant	14.228	02-WS-025	505,275
U.S. Department of Education Thru Iowa Department of Public Health Building Healthy Communities in Iowa Through Harkin Wellness Grants	93.283	5887HWG15	61,220
	Total		<u>\$ 591,495</u>

Basis of Presentation-

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Aurora and is presented in conformity With an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations.** Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the basic financial statements.

See accompanying independent auditor's report

City of Aurora

RFSW Ridihalgh Fuelling
Snitker Weber & Co.
C E R T I F I E D P U B L I C A C C O U N T A N T S

James R. Ridihalgh, C.P.A.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Aurora, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 14, 2007. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Aurora's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Aurora's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Aurora's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Aurora's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Aurora's financial statements that is more than inconsequential will not be prevented or detected by the City of Aurora's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Aurora's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Aurora's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the city's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Aurora's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit Aurora's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the city of Aurora and other parties to whom Aurora may report, including federal awarding agencies. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Aurora during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

December 14, 2007

RFSW Ridihalgh Fuelling
Snitker Weber & Co.
C E R T I F I E D P U B L I C A C C O U N T A N T S

James R. Ridihalgh, C.P.A.
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Independent Auditor's Report on Compliance with Requirements
Applicable to Its Major Program and on Internal Control over Compliance
In Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of Aurora, Iowa with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. Aurora's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Aurora's management. Our responsibility is to express an opinion on Aurora's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Aurora's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Aurora's compliance with those requirements.

In our opinion, Aurora complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Aurora is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Aurora's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Aurora's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Aurora and other parties to whom Aurora may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

December 14, 2007

City of Aurora

City of Aurora

Schedule of Findings and Questioned Costs

June 30, 2007

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements, which is considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) Audit findings that are required to be reported in accordance with Section 510(a) of Office of Management and Budget Circular A-133 are reported in this Schedule.
- (g) The major program was CFDA Number 14.228 – Community Development Block Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Aurora did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual records cash received, prepares deposit ticket, has custody of the blank checks, is able to sign checks, distributes checks and has access to the bank statement before it is reconciled.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will review its present internal control procedures and will consider additional review procedures where practical.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE

Part III: Findings and Questioned Costs for Federal Awards:

There were no findings and questioned costs for federal awards.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-07 Official Depositories – The City has adopted a resolution naming official depositories.

IV-B-07 Certified Budget – City disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the public works, culture and recreation, community and economic development and the general government functions. The City published notice of public hearing on the budget, including a summary of the proposed budget as required by Chapter 384.16 of the Code of Iowa.

Recommendation-The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response-The budget will be amended in the future, if applicable.

Conclusion-Response accepted.

IV-C-07 Questionable Disbursements – We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
David Schweitzer, Council Member, owner of Dave's Repair	Fire Rescue Truck Repair	\$ 95
David Young, Council Member, owner in Aurora Elevator and Aurora Welding & Repair	Repairs and Supplies	962
Lila Opitz, Comet Center Board Member, husband owns Aurora Plumbing & Electric, Inc	Repairs and Supplies	2,045

Bret Lau, Council Member, wife Owns Cutting Edge, Inc	Shirts for Comet Center	1,041
Diana Gates, City Clerk, husband Owns Knapp's Service	Repairs	66
Jody Gage, Council Member, Husband owns Gage Drafting & Design	Benches for Comet Center	186

The transactions are permitted under Chapter 362.5(11) for cities of population under \$2,500, for purchases that do not exceed \$2,500.

- IV-F-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-H-07 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

City of Aurora

Staff

This audit was performed by:

Donald A. Snitker, CPA, Audit Partner